Inflation Rate

	Projected	Actual	Weight
Food	7.5%	9%	.091
Fuel	8.3%	10%	.057
Other	7.8%	10.4%	.169
Weight average	7.9%	10%	.3170
Index	8.05	-	1.00

If the actual weighted average inflation rate of the food, fuel and "other" expenses categories (as reported by DRI; e.g., 10%) is more than 1% greater than the projected weighted average inflation rate of those categories (e.g., 7.9%), then the Department will make an adjustment. In calculating the adjustment, the Department will pay the difference between 1% and the variance between the projected and actual inflation rate. The rate calculated after a retroactive adjustment will be the rate used to determine any savings and will also be the maximum amount the Department will pay if a facility has spent more than its prospective rate.

*The weights in the index change slightly over time. The weights which are used to construct the weighted average index for purposes of the retroactive adjustment will be the weights published by DRI at the time of the projection. 66

Example

Facility X had a base year variable cost component of $30.55 and a final prospective year rate of $33.00 ($30.55 x 1.08). Actual inflation in food, fuel and "other" expenses was 2.1% (10.0% - 7.9%) greater than the DRI projection used in establishing the prospective rate. An adjustment of 1.1% (2.1% -1.0%) will be made to the first year prospective rate as follows:

Variable Cost Component

Weight		Base Year		Prospective Year
Salary + benefits	(.683)	20.869		22.539
Food, fuel, other	(.3170)	9.6861		10.461
	1.0	30.55	(x l.08)	33.00

The base year per diem attributable to food, fuel and "other" costs will be adjusted by 1.1% and that amount will be added to the first year prospective rate. In this example, the base year variable cost component attributable to food, fuel and other expenses was $9.6861 (.3170 x 30.55). This amount will be adjusted by 1.1% as follows:

$9.6861 x .011 = .11 (adjustment)

The readjusted prospective year rate is $33.11 ($33.00+$0.11).

The readjusted prospective year rate of $33.11 shall be used by the Department to determine any savings in the first year and will also be the maximum amount the Department will pay if the facility spent more than its prospective rate.

The above example applies to the first year in the prospective system only. In the second and succeeding years, any adjustments for under predictions of inflation will be offset by any over predictions of inflation in the previous year. If the prediction of the rate of inflation for food, fuel and "other" expenses in the previous year was overstated by .5% or more, the year end adjustment in the second and succeeding years for any under predictions of inflation will be reduced by the difference between .5% and the variance between the projected and actual inflation.

Example

Assume the preceding example applied to a facility after its second prospective year. Assume, also, that the prediction for the rate of inflation for food? fuel and other expenses in the calculation of the first year prospective rate was overstated by .6%. The amount of the adjustment after the second prospective year is:

% of overstatement in first year	.6%
less .5%	- .5%
Adjustment for overstatement in first year	.1%
Adjustment for understatement after second year (see previous example)	1.1%
% adjustment after second prospective year	1.1% - .1% = 1.0%

The second year prospective rate attributable to food, fuel and "other" costs will be adjusted by 1.0% and that rate will be the maximum amount the Department will pay if the facility spent more than its prospective rate.

7500 Adjustment for Unrestricted Grants or Gifts

Unrestricted federal or State grants or gifts received by a facility and which have been deducted from operating costs for purposes of reimbursement will be added back to the variable cost component for purposes of calculating a base rate.

7600 Adjustments for Appeal Decisions

The Department will adjust any interim or final prospective rate to reflect appeal decisions made subsequent to the establishment of those rates.

7700 Adjustments for Capital Costs

Upon request the Department will adjust the fixed cost component of an interim or final prospective rate to reflect increases in capital costs which have been approved under Section 1122 of the Social Security Act or the Maine Certificate of Need Act.

7800 Base Salary Adjustments (ICF/MR Group Homes)

The average base salary amount for direct care personal services in ICF/MR Group Homes shall be increased to $5.00/hour.

For facilities with a fiscal year beginning July 1, 1982, the first year prospective rate will be adjusted to reflect an average $5.00/hour base salary amount multiplied by the number of approved direct care hours.

For facilities with a fiscal year beginning after July 1, 1982, the rate in effect will be adjusted to reflect an average $5.00/hour base salary amount multiplied by the number of approved direct care hours.

8000 APPEAL PROCEDURES - START UP COSTS - DEFICIENCY RATE - RATE LIMITATION

8010 Procedures

A. A facility may administratively appeal any of the following types of Division of Audit determination:

1. Audit Adjustment

2. Calculation of final prospective rate

3. Adjustment of final prospective rate or a refusal to make such an adjustment pursuant to these Principles.

B. An Administrative appeal will proceed in the following manner:

1. Within 30 days of receipt of an audit or .other appealable determination, the facility must request, in writing, an informal review before the Director of the Division of Audit or his/her designee. The facility, must forward, with the request, any and all specific information it has relative to the issues in dispute, note the monetary amount each issue represents and

identify the appropriate principle supporting the request. Only issues presented in this manner and time frame will be considered at an informal review or at a subsequent administrative hearing.

2. The Director or his/her designee shall notify the facility in writing of the decision made as a request of such informal review. If the facility disagrees with the results of the informal review, the facility may request an administrative hearing before the Commissioner or a presiding officer designated by the Commissioner. Only issues presented in the informal review will be considered at the administrative hearing. A request for an administrative hearing must be made, in writing, within 30 days of receipt of the decision made as a result of the informal review.

3. To the extent the Department rules in favor of the facility, the audit report or prospective rate will be corrected.

8020 Start-up Costs

8021 General

In the period of developing a provider's ability to furnish patient care services, certain costs are incurred. The costs incurred during this time of preparation are referred to as start-up costs. Since these costs are related to patient care services rendered after the time of preparation, they must be capitalized as deferred charges and amortized over a number of benefiting periods.

Start-up costs include, for example, administrative and nursing salaries, heat, gas, and electricity, taxes, insurance, mortgage and other interest, employee training costs, repairs and maintenance, housekeeping, and any other allowable costs incident to the start-up period. However, any costs that are properly identifiable as organization costs, or which may be capitalized as construction costs, must be appropriately classified as such and excluded from start-up costs.

8022 Applicability

Start-up costs are incurred from the time preparation begins on a newly constructed or purchased building, wing, floor, unit, or expansion thereof to the time the first patient is admitted for treatment, or where the start-up costs apply only to nonrevenue-producing patient care functions or nonallowable functions, to the time the areas are used for their intended purposes. If a provider intends to prepare all portions of its entire facility at the same time, start-up costs for all portions of the facility should be accumulated in a single deferred charge account and should be amortized when the first patient is admitted for treatment. However, if a provider intends to prepare portions of its facility on a piecemeal basis (i.e., preparation of a floor or wing of a provider's facility is delayed), start-up costs would be capitalized and amortized separately for the portion(s) of the provider's facility prepared during different time periods. Moreover, if a provider expands its facility by constructing or purchasing additional buildings or wings, start-up costs should be capitalized and amortized separately for these areas.

Start-up costs that are incurred immediately before a provider enters the program and that are determined to be immaterial by the Department need not be capitalized, but rather, may be charged to operations in the first cost reporting period. In the case where a provider incurs start-up costs while in the program and these costs are determined to be immaterial by the Department, these costs need not be capitalized, but may be charged to operations in the periods incurred.

For program reimbursement purposes, costs of the provider's facility and building equipment should be depreciated over the lives of these assets starting with the month the first patient is admitted for treatment, subject to the provider's method of determining depreciation in the year of acquisition or construction. Where portions of the provider's facility are prepared for patient care services after the initial start-up period, these asset costs applicable to each portion should be depreciated over the remaining lives of the applicable assets. If the portion of the facility is a patient care area, depreciation should start with the month the first patient is admitted for treatment. If the portion of the facility is a nonrevenue-producing patient care area or nonallowable area, depreciation should begin when the area is opened for its intended purpose. Costs of major movable equipment, however, should be depreciated over the useful life of each item starting with the month the item is placed into operation.

8030 Cost Treatment for Reimbursement

8031 Where a provider prepares all portions of its facility for patient care services at the same time and has capitalized start-up costs, the start-up costs must be amortized ratably over a period of 60 consecutive months beginning with the month in which the first patient is admitted for treatment.

8032 Where a provider prepares portions of its facility for patient care services on a piecemeal basis, start-up costs must be capitalized and amortized separately for the portions of the provider's facility that are prepared for patient care services during different periods of time.

8040 Deficiency per diem rate. When a facility is found not to have provided the quality of service or level of care required, reimbursement will be made on 90% of the provider's per diem rate. This "deficiency rate" will be applied following written notification to the facility of the effective date of the reduced rate for any of the following service deficiencies:

8041 Staffing over a period of two weeks or more does not meet the Federal Certification and State Licensing requirements, except where there is written documentation of a good faith effort to employ licensed nurses to meet the licensed nurse requirements over and above the full time director of nursing;

8042 Food service does not meet the Federal Certification and State Licensing requirements;

8043 Specific, documented evidence that the care provided does not meet the Federal Certification and State Licensing requirements. Such penalty to be effective no sooner than 30 days from written notification that such deficiencies exist;

8044 Failure to correct, within the time frames of an accepted Plan of Correction, deficiencies in meeting the Federal Certification and State Licensing requirements, which cause a threat to the health and safety of members in a facility or the surrounding community;

8045 Failure to submit cost reports and maintain auditable records as required.

A reduction in rate because of service deficiencies shall remain in effect until the deficiencies have been corrected, as verified by representatives of the Department of Human Services, following writtennotification by the provider that the deficiencies no longer exist. No retroactive adjustments to the full rate shall be made for the period that the deficiency rate is in effect.

8050 Limitation

8051 In no case may payment exceed the facility's customary charges to the general public for such services. This determination will be based on the Principles described in the Medicare Provider Manual (HIM-15) in effect at the time of such determination.

8052 Medicare Upper Limit. In no case may payment exceed the amount that would have been paid under the Medicaid Principles of Reimbursement, Title 42, Code of Federal Regulations, Part 405, Subpart D, including the cost limits on routine service costs established by the Secretary of Health and Human Services pursuant to Title 42, Code of Federal Regulations §405.460 and in effect at the time the costs are incurred.